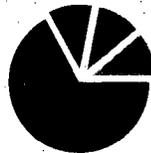


**TOWN OF NEW HARMONY  
FINANCIAL STATEMENTS  
(UNAUDITED)  
YEAR ENDED JUNE 30, 2006**



**HINTON BURDICK**  
**HINTON BURDICK HALL & SPILKER PLLC**  
**CPAs & ADVISORS**

**TOWN OF NEW HARMONY**

**TABLE OF CONTENTS**

Accountants' Report..... 1

Management's Discussion and Analysis ..... 2

Basic Financial Statements:

    Government-Wide Financial Statements:

        Statement of Net Assets ..... 7

        Statement of Activities ..... 8

    Fund Financial Statements:

        Balance Sheet – Governmental Funds ..... 9

        Statement of Revenues, Expenditures, and  
        Changes in Fund Balance - Governmental Funds ..... 10

        Reconciliation of the Statement of Revenues, Expenditures, and  
        Changes in Fund Balances of Governmental Funds to the  
        Statement of Activities ..... 11

        Statement of Revenues, Expenditures and  
        Changes in Fund Balance - Budget and Actual  
        Governmental Funds ..... 12

        Statement of Net Assets – Proprietary Fund ..... 13

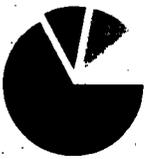
        Statement of Revenues, Expenses, and Changes in  
        Fund Net Assets – Proprietary Fund ..... 14

        Statement of Cash Flows – Proprietary Fund ..... 15

Notes to the Financial Statements ..... 16

Combining Statements ..... 32

**FINANCIAL SECTION**



**HINTON BURDICK**  
HINTON BURDICK HALL & SPILKER PLLC  
CPAs & ADVISORS

MEMBERS:  
KRIS J. BRAUNBERGER  
DEAN R. BURDICK  
ROBERT S. COX  
BRENT R. HALL  
KENNETH A. HINTON  
MORRIS J. PEACOCK  
MICHAEL K. SPILKER  
MARK E. TICHENOR

**Accountants' Compilation Report**

The Honorable Mayor and  
Town Council  
New Harmony, Utah

We have compiled the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of New Harmony as of and for the year ended June 30, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of the Town of New Harmony.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have compiled the supplementary information from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplemental information.

*Hinton, Burdick, Hall & Spilker, PLLC*

HINTON BURDICK HALL & SPILKER PLLC  
December 8, 2006

**THIS PAGE INTENTIONALLY LEFT BLANK**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of New Harmony (Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2006. Please read it in conjunction with the accompanying basic financial statements.

### **FINANCIAL HIGHLIGHTS**

- Total assets exceed total liabilities (net assets) by \$ 591,519 at the close of the fiscal year.
- Total net assets increased by \$48,680.
- Total revenues from all sources were \$167,945 and the total cost of all Town programs was \$97,240.
- Total revenue received in the General Fund was \$23,611 more than the final budget and expenditures were \$3,439 more than the final budget.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$80,495 or 125% of total General Fund expenditures.

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The three components of the financial statements are: (1) Government-wide financial statements which include the Statement of Net Assets and the Statement of Activities. These statements provide information about the activities of the Town as a whole. (2) Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements. (3) Notes to the financial statements.

#### **Reporting the Town as a Whole**

##### **The Statement of Net Assets and the Statement of Activities (Government-wide)**

A frequently asked question regarding the Town's financial health is whether the year's activities contributed positively to the overall financial well-being. The Statement of Net Assets and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net assets and changes in them. Net assets, the difference between assets and liabilities, are one way to measure the Town's financial health, or financial position. Over time, increases or decreases in net assets are an indicator of whether the financial health is improving or deteriorating. However, it is important to consider other non-financial factors such as changes in the Town's property tax base or jurisdiction, the availability of capital projects, and condition of the Town's assets to accurately assess the overall health of the Town. The Statement of Net Assets and the Statement of Activities, present information about the following:

- Government activities – All of the Town's basic services are considered to be governmental activities, including general government, solid waste, public safety, public works, cemetery, culture and recreation, Grafton heritage partnership, capital outlay and interest on long-term debt. Property taxes, sales taxes, intergovernmental revenues and charges for services finance most of these activities.

- Proprietary activities/Business type activities – The Town currently only has one proprietary activities fund, which is a water fund.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of the Town's financial position. The Town's combined assets exceed liabilities by \$591,519 as of June 30, 2006 as shown on the following condensed statement of net assets.

	<u>6/30/2005</u>	<u>6/30/2006</u>
Current and other assets	\$ 248,947	\$ 303,520
Capital assets	496,977	491,084
Total assets	<u>745,924</u>	<u>794,604</u>
Long-term obligations	208,068	201,599
Other liabilities	275	1,486
Total liabilities	<u>208,343</u>	<u>203,085</u>
Net assets:		
Invested in capital assets, net of related debt	288,909	289,485
Restricted	113,358	145,230
Unrestricted	<u>135,314</u>	<u>156,804</u>
Total net assets	<u>\$ 537,581</u>	<u>\$ 591,519</u>

### Governmental Activities

The cost of all Governmental activities this year was \$67,798. \$46,222 of this cost was paid for by those who directly benefited from the programs, \$9,890 was subsidized by grants received from other governmental organizations for operations and capital activities. Overall governmental program revenues, including intergovernmental aid and fees for services were \$56,112. General revenues, including taxes and investment earnings totaled \$61,489.

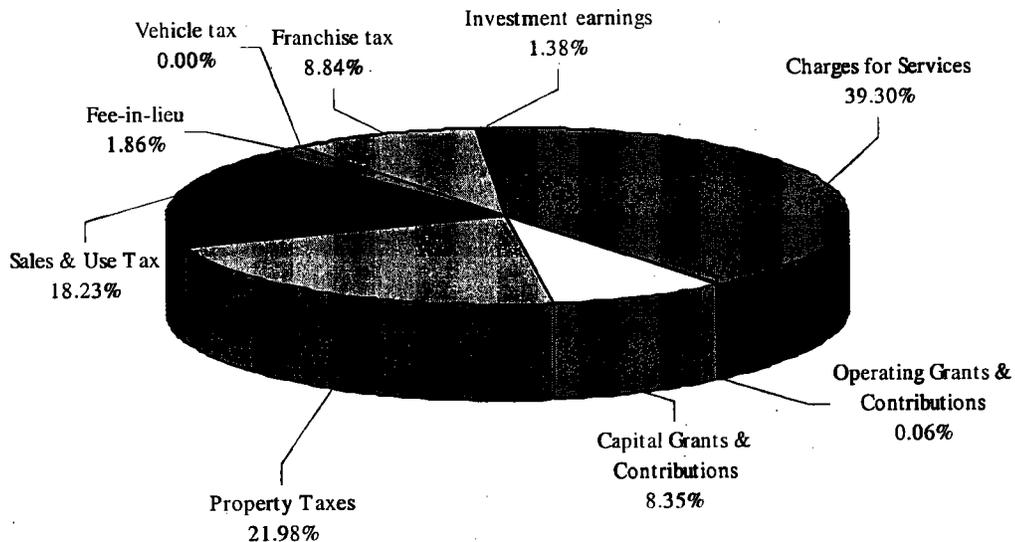
The Town's programs include: Legislative, General Government, Public Works/Streets, Culture & Recreation, Solid Waste, Public Safety, and Cemetery. Each programs' net cost (total cost less revenues generated by the activities) is presented on the next page. The net cost shows the extent to which the Town's general taxes support each of the Town's programs.

	<u>6/30/2005</u>	<u>6/30/2006</u>
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 44,328	\$ 46,222
Operating grants	58	70
Capital grants and contributions	8,862	9,820
General revenues:		
Property taxes	25,478	25,852
Sales & Use	18,814	21,436
Fee-in-lieu	3,247	2,183
Vehicle tax	13,456	-
Franchise Tax	8,999	10,399
Unrestricted investment earnings	1,920	1,618
Total revenues	<u>125,162</u>	<u>117,600</u>
<b>Expenses:</b>		
Legislative	8,265	7,196
General Government	21,173	32,144
Solid waste	10,221	10,522
Public safety	188	129
Public works/streets	3,309	3,524
Cemetery	2,551	11,861
Culture & recreation	1,566	2,422
Interest on long-term debt	-	-
Total expenses	<u>47,273</u>	<u>67,798</u>
<b>Other financing sources and uses:</b>		
Operating transfers out/(in)	<u>52,000</u>	<u>(1)</u>
Total other financing sources and uses	<u>52,000</u>	<u>(1)</u>
Increase in net assets	25,889	49,803
Net assets, beginning	199,916	225,805
Net assets, ending	<u>\$ 225,805</u>	<u>\$ 275,608</u>

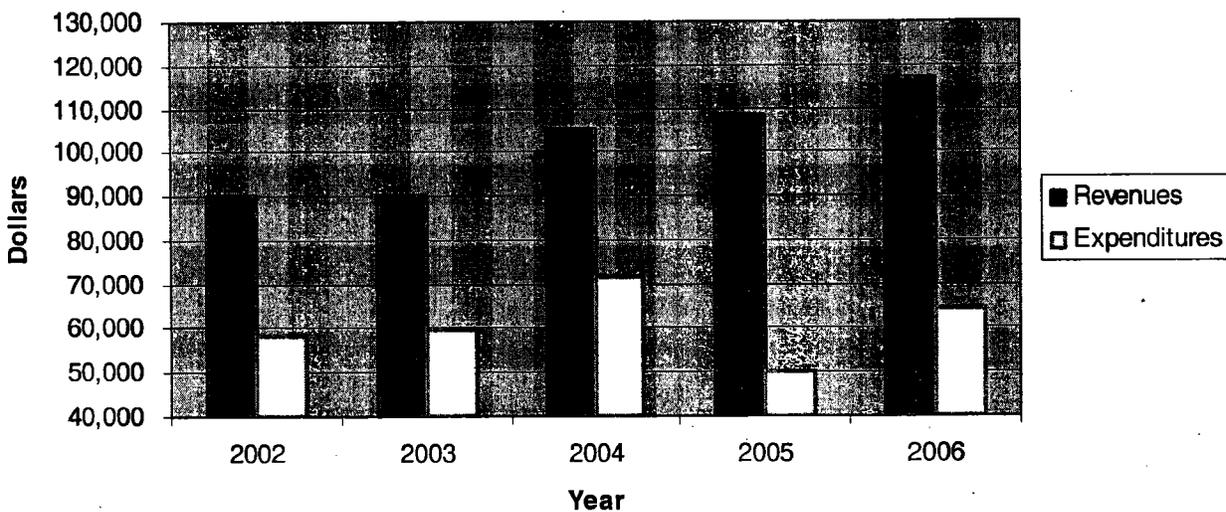
Total resources available during the year to finance governmental operations were \$343,406 consisting of Net assets at July 1, 2005 of \$225,805, program revenues of \$56,112 and General Revenues of \$61,489. Total Governmental Activities expenses during the year were \$67,798 and transfers in were \$1; thus, Governmental Net Assets were increased by \$49,803 to \$275,608.

The following graph provides a breakdown of revenues by source for all government activities.

Revenue by Source - Governmental Activities



Fund Revenue & Expenditure Comparison by Year



### **General Fund Budgetary Highlights**

The final appropriations for the General Fund at year-end were \$3,439 less than actual expenditures mainly due to cemetery and general government expenditures. Actual revenues were greater than the final budget by \$23,611 mainly due to franchise tax, and cemetery revenues.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

The capital assets of the Town are those assets that are used in performance of Town functions. Capital Assets include land, buildings, and equipment. At the end of fiscal year 2006, net capital assets of the government activities totaled \$67,792. Depreciation on capital assets is recognized in the Government-Wide financial statements. (See note 6 to the financial statements.)

### **NEXT YEAR'S BUDGET AND ECONOMIC FACTORS**

In considering the Town Budget for fiscal year 2006/2007, the Town Board and management estimated the budget for operating revenues and expenditures will be similar to this year.

### **CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jack Vandervest, Town Clerk of the Town of New Harmony at P.O. Box 620, New Harmony, UT, 84757 or call 435-865-7522.

**BASIC FINANCIAL STATEMENTS**

TOWN OF NEW HARMONY  
Statement of Net Assets  
June 30, 2006

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 81,219	\$ 66,467	\$ 147,686
Receivables (net of allowance)	-	9,842	9,842
Due from other governments	762	-	762
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	127,321	17,909	145,230
Capital assets (net of accumulated depreciation)			
Land	10,000	-	10,000
Streets & improvements	57,792	174,545	232,337
Buildings and improvements	-	-	-
Machinery and equipment	-	-	-
CIP - Water System	-	248,747	248,747
Total assets	<u>277,094</u>	<u>517,510</u>	<u>794,604</u>
<b>Liabilities</b>			
Accounts payable	-	-	-
Accrued liabilities	1,486	-	1,486
Noncurrent liabilities:			
Due within one year	-	6,945	6,945
Due in more than one year	-	194,654	194,654
Total liabilities	<u>1,486</u>	<u>201,599</u>	<u>203,085</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	67,792	221,693	289,485
Restricted for:			
Class C road funds	29,790	-	29,790
Cemetery	68,386	-	68,386
Capital projects	29,145	-	29,145
Water project	-	-	-
Debt service	-	17,909	17,909
Unrestricted	80,495	76,309	156,804
Total net assets	<u>\$ 275,608</u>	<u>\$ 315,911</u>	<u>\$ 591,519</u>

See accompanying notes and accountants' report.



TOWN OF NEW HARMONY  
Balance Sheet  
Governmental Funds  
June 30, 2006

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Cash	\$ 81,219	\$ -	\$ 81,219
Accounts receivable	-	-	-
Due from other governments	762	-	762
Prepaid expenses	-	-	-
Cash - restricted	<u>29,790</u>	<u>97,531</u>	<u>127,321</u>
Total assets	<u>\$ 111,771</u>	<u>\$ 97,531</u>	<u>\$ 209,302</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ -	\$ -
Accrued liabilities	<u>1,486</u>	<u>-</u>	<u>1,486</u>
Total liabilities	<u>1,486</u>	<u>-</u>	<u>1,486</u>
<b>Fund Balances:</b>			
Reserved	29,790	97,531	127,321
Unreserved	<u>80,495</u>	<u>-</u>	<u>80,495</u>
Total fund balances	<u>\$ 110,285</u>	<u>\$ 97,531</u>	<u>\$ 207,816</u>
Total liabilities and fund balance	<u>\$ 111,771</u>	<u>\$ 97,531</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	67,792
Some assets, including accounts receivable of the cemetery department, are not due and receivable in the current period and therefore are not reported in the funds.	-
Net assets of governmental activities	<u>\$ 275,608</u>

See accompanying notes and accountants' report.

**TOWN OF NEW HARMONY**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2006**

	<u>General Fund</u>	<u>Governmental Funds</u>	<u>Governmental Funds</u>
<b>Revenues:</b>			
Property taxes	\$ 25,852	\$ -	\$ 25,852
Sales and use taxes	21,436	-	21,436
Fee-in-lieu	2,183	-	2,183
Vehicle taxes	-	-	-
Franchise taxes	10,399	-	10,399
Licenses and permits	-	-	-
Intergovernmental revenue	8,871	-	8,871
Interest income	2,637	439	3,076
Solid waste services	11,552	-	11,552
Cemetery	28,304	-	28,304
Other revenues/donations	5,927	-	5,927
Total revenues	<u>117,161</u>	<u>439</u>	<u>117,600</u>
<b>Expenditures:</b>			
Current:			
Legislative	7,196	-	7,196
General government	32,144	-	32,144
Solid waste	10,522	-	10,522
Public safety	129	-	129
Public works/streets	145	-	145
Cemetery	11,861	-	11,861
Culture & recreation	2,342	80	2,422
Capital outlay	-	-	-
Debt service	-	-	-
Total expenditures	<u>64,339</u>	<u>80</u>	<u>64,419</u>
Excess (deficiency) of revenues over (under) expenditures	52,822	359	53,181
<b>Other financing sources (uses):</b>			
Operating transfers in (out)	<u>(97,171)</u>	<u>97,172</u>	<u>1</u>
Net change in fund balance	(44,349)	97,531	53,182
Fund Balance - beginning of year	<u>154,634</u>	-	<u>154,634</u>
Fund Balance - end of year	<u>\$ 110,285</u>	<u>\$ 97,531</u>	<u>\$ 207,816</u>

See accompanying notes and accountants' report.

TOWN OF NEW HARMONY  
Reconciliation of the Statement of Revenues,  
Expenditures, and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Year Ended June 30, 2006

---

Amounts reported for governmental activities in the statement of activities  
are different because:

Net change in fund balances - total governmental funds	\$ 53,182
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(3,379)
Accounts receivable for revenues that are not due in the current period are not reported as revenue in the current period while they are recorded in the statement of activities.	<u>-</u>
Change in net assets of governmental activities	<u>\$ 49,803</u>

See accompanying notes and accountants' report.

**TOWN OF NEW HARMONY**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual – Governmental Funds**  
**For the Year Ended June 30, 2006**

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
<b>Revenues:</b>				
Property taxes	\$ 31,800	\$ 31,800	\$ 25,852	\$ (5,948)
Sales and use taxes	18,500	18,500	21,436	2,936
Fee-in-lieu	2,500	2,500	2,183	(317)
Vehicle taxes	-	0	0	-
Franchise taxes	5,000	5,000	10,399	5,399
Licenses and permits	-	-	-	-
Intergovernmental revenue	8,050	8,050	8,871	821
Interest income	1,600	1,600	2,637	1,037
Solid waste services	11,600	11,600	11,552	(48)
Cemetery	12,000	12,000	28,304	16,304
Other revenues/donations	2,500	2,500	5,927	3,427
<b>Total revenues</b>	<b>93,550</b>	<b>93,550</b>	<b>117,161</b>	<b>23,611</b>
<b>Expenditures:</b>				
Current:				
Legislative	8,000	8,000	7,196	804
General government	28,000	28,000	32,144	(4,144)
Solid waste	10,900	10,900	10,522	378
Public safety	-	-	129	(129)
Public works/streets	-	-	145	(145)
Cemetery	6,000	6,000	11,861	(5,861)
Culture & recreation	8,000	8,000	2,342	5,658
Debt service	-	-	-	-
<b>Total expenditures</b>	<b>60,900</b>	<b>60,900</b>	<b>64,339</b>	<b>(3,439)</b>
Excess (deficiency) of revenues over (under) expenditures	32,650	32,650	52,822	20,172
<b>Other financing sources (uses):</b>				
Operating transfers in (out)	-	-	(97,171)	(97,171)
<b>Net change in fund balance</b>	<b>32,650</b>	<b>32,650</b>	<b>(44,349)</b>	<b>(76,999)</b>
<b>Fund Balance - beginning of year</b>	<b>154,634</b>	<b>154,634</b>	<b>154,634</b>	<b>-</b>
<b>Fund Balance - end of year</b>	<b>\$ 187,284</b>	<b>\$ 187,284</b>	<b>\$ 110,285</b>	<b>\$ (76,999)</b>

See accompanying notes and accountants' report.

TOWN OF NEW HARMONY  
Statement of Net Assets  
Proprietary Fund  
June 30, 2006

	Proprietary Fund Type
	Water Fund
<b>Assets</b>	
Current assets:	
Cash	\$ 66,467
Accounts receivable	9,842
Prepaid expenses	-
Total current assets	76,309
Noncurrent assets:	
Cash - restricted	17,909
Capital assets:	
Property, plant, and equipment	339,954
Construction in progress - water system	248,747
Accumulated depreciation	(165,409)
Total noncurrent assets	441,201
Total assets	517,510
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	-
Accrued liabilities	-
Current portion of bonds payable	3,500
Current portion of notes payable	3,445
Total current liabilities	6,945
Noncurrent liabilities:	
Bonds payable	21,500
Note payable	180,099
Less current portion of long-term debt	(6,945)
Total noncurrent liabilities	194,654
Total liabilities	201,599
<b>Net Assets</b>	
Invested in capital assets, net of related debt	221,693
Restricted	17,909
Unrestricted	76,309
Total net assets	\$ 315,911

See accompanying notes and accountants' report.

TOWN OF NEW HARMONY  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Proprietary Fund  
For the Year Ended June 30, 2006

	Proprietary Fund
	Water Fund
<b>Operating Revenues:</b>	
Charges for services	\$ 40,193
Other revenue	-
Total operating revenues	40,193
<b>Operating Expenses:</b>	
Administrative	4,496
Salaries and wages	-
Repairs and maintenance	-
Utilities	-
Professional and technical fees	-
Contract services	-
Materials and supplies	4,013
Miscellaneous	3,062
Depreciation	7,672
Total operating expenses	19,243
Operating income	20,950
<b>Non-operating Revenues (Expenses):</b>	
Interest income	2,275
Interest expense	(10,199)
Grants	2,583
Connection and impact fees	5,293
Total non-operating revenues (expenses)	(48)
Net Income before transfers	20,902
<b>Transfers (to) from other funds</b>	-
Change in net assets	20,902
<b>Total net assets, beginning of year</b>	295,009
<b>Total net assets, end of year</b>	\$ 315,911

See accompanying notes and accountants' report.

TOWN OF NEW HARMONY  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2006

	Proprietary Fund
	Water Fund
<b>Cash Flows From Operating Activities:</b>	
Cash received from customers, service fees	\$ 36,617
Cash received from customers, other	-
Cash paid to suppliers	(11,571)
Net cash flows from operating activities	25,046
<b>Cash Flows From Noncapital Financing Activities:</b>	
Grant	2,582
Operating transfers	-
Net cash flows from noncapital financing activities	2,582
<b>Cash Flows From Capital and Related Financing Activities:</b>	
Principal paid on long-term debt	(6,469)
Interest paid	(10,199)
Water system improvements	(5,158)
Connection and impact fees	5,293
Net cash flows from capital and related financing activities	(16,533)
<b>Cash Flows From Investing Activities:</b>	
Interest on investments	2,275
Net cash flows from investing activities	2,275
Net decrease in cash and cash equivalents	13,370
Cash and cash equivalents, beginning of year	71,006
Cash and cash equivalents, end of year	\$ 84,376
Reconciliation of operating income to net cash flows from operating activities:	
Net operating income	20,950
Adjustments to reconcile net operating income to net cash flows from operating activities:	
Depreciation	7,672
Changes in operating assets and liabilities:	
(Increase)/decrease in receivables	(3,576)
Net cash flows from operating activities	\$ 25,046

See accompanying notes and accountants' report.

TOWN OF NEW HARMONY  
Notes to the Financial Statements  
June 30, 2006

---

**NOTE 1. Summary of Significant Accounting Policies**

---

**General**

The Town of New Harmony (Town) is incorporated under the laws of the State of Utah. The Town operates under a council form of government and provides the following services: public safety, highways and streets, sanitation, water, parks and recreation, public improvements, planning and zoning, and general administration services.

The financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies are described below.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1998, generally are followed in both the governmental-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

**Reporting Entity**

In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Town is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no separate component units combined to form the reporting entity.

TOWN OF NEW HARMONY  
Notes to the Financial Statements  
June 30, 2006

---

**NOTE 1. Summary of Significant Accounting Policies, Continued**

---

The accompanying financial statements include all activities of the Town.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of the inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**Government-wide financial statements** are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets is capitalized as an asset in the government-wide financial statements, rather than as an expenditure. Proceeds from long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the Town are reported as a reduction of a related liability, rather than as expenditures in the government-wide financial statements.

TOWN OF NEW HARMONY  
Notes to the Financial Statements  
June 30, 2006

---

**NOTE 1. Summary of Significant Accounting Policies, Continued**

---

**Governmental fund financial statements** are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, room taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The **General Fund** is used to account for all financial resources applicable to the operations of the Town. It is the only major governmental fund of the Town.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

**Business type fund financial statements** are reported, using the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and become measurable; expenses are recognized in the period incurred.

**Business-type Funds** are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the Town is that the costs of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges, or where the Town has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriated for capital maintenance, public policy, management control, accountability or other purposes.

The **Water Fund** is used to account for the provision of water services to the residents of the Town. It is the Town's only major business-type fund.

TOWN OF NEW HARMONY  
Notes to the Financial Statements  
June 30, 2006

---

**NOTE 1. Summary of Significant Accounting Policies, Continued**

---

**Cash and Investments**

Cash includes cash on hand, demand deposits with banks and other financial institutions, deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts and short-term investments with original maturities of three months or less from the date of acquisition. The Town's policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the state treasurer's pool, and other investments as allowed by the State of Utah's Money Management Act. All investments are carried at fair value with unrealized gains and losses recorded as adjustments to interest earnings. Fair market values are based on quoted market prices.

**Receivables**

All trade accounts receivable are shown net of an allowance for uncollectibles. Due to the nature of the accounts receivable in governmental type activities, management does not consider an allowance for uncollectible accounts receivable necessary or material. Therefore, no allowance for uncollectible accounts receivable is presented.

**Inventories and prepaid items**

The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. Also, the Town's inventory of materials and supplies is deemed to be immaterial; thus, no provision for inventory has been made in these financial statements.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

**Capital Assets**

Fixed assets in the proprietary funds are carried at cost. Depreciation is computed using the straight-line method over the assets' estimated useful lives.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

TOWN OF NEW HARMONY  
Notes to the Financial Statements  
June 30, 2006

---

**NOTE 1. Summary of Significant Accounting Policies, Continued**

---

Capital assets in governmental funds, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined as assets with an individual cost of more than \$3,500 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

In accordance with GASB 34, the Town has opted not to retroactively report infrastructure fixed assets. Infrastructure normally includes assets such as roads, curb and gutter, sidewalks, street lighting, storm drains and other improvements.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Streets & improvements	20 years
Automobiles and trucks	5-7 years
Machinery and equipment	7 years

**Accrued Benefits**

Accumulated unpaid vacation and other employee benefit amounts are accrued as an expenditure at year end only when the Town has such a liability.

**Long-Term Obligations**

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the applicable debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

TOWN OF NEW HARMONY  
Notes to the Financial Statements  
June 30, 2006

---

**NOTE 1. Summary of Significant Accounting Policies, Continued**

---

**Estimates**

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Use of Restricted Assets**

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

TOWN OF NEW HARMONY  
Notes to the Financial Statements  
June 30, 2006

**NOTE 2. Reconciliation of Government-Wide and Fund Financial Statements**

**Explanation of certain differences between the governmental fund balance sheet and government-wide statement of net assets:**

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. The differences primarily result from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheet.

**Capital related items:**

When capital assets (property, plant & equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net asset includes those capital assets among the assets of the Town as a whole.

Cost of capital assets	\$ 110,914
Accumulated depreciation	<u>(43,122)</u>
Total difference	<u><u>\$ 67,792</u></u>

**Explanation of differences between governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities:**

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference of \$3,379 are as follows:

Capital outlay	\$ -
Depreciation expense	<u>(3,379)</u>
Net adjustment to increase net changes in fund balance total governmental funds to arrive at changes in net assets of governmental funds	<u><u>\$ (3,379)</u></u>

TOWN OF NEW HARMONY  
Notes to the Financial Statements  
June 30, 2006

---

**NOTE 3. Stewardship Compliance and Accountability**

---

**Budgets and Budgetary Accounting**

Annual budgets are reported and adopted by the Town Council on or before June 22 for the fiscal year commencing the following July 1 in accordance with State Law. The operating budget includes proposed expenditures and the proposed sources of financing for such expenditures. Prior to June 22, a public hearing is conducted to obtain taxpayer input. Budgets are adopted and control of budget appropriations is exercised, under State Law, at the department level. Budget amendments are required to increase expenditure budgets and are adopted, in a public hearing, before the end of the fiscal year.

The General Fund budget is prepared using the modified accrual basis of accounting. Budgets for the proprietary fund types are prepared using the accrual basis of accounting.

During the current fiscal year, there were no amendments to the budget.

**Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Town.

**Taxes**

Property taxes are collected by the Washington County Treasurer and remitted to the Town in monthly installments. Taxes are levied each October on the taxable value listed as of the prior January 1 for all real property located in the Town. Taxable values are established by the County Assessor at a percent of the fair market value on primary residential property and 100 percent of the fair market value on non-primary residential property. A revaluation of all property is required to be completed no less than every five years. Taxes are due and payable on November 1 and delinquent after November 30 of each year, at which time they become liens if not paid.

TOWN OF NEW HARMONY  
Notes to the Financial Statements  
June 30, 2006

**NOTE 4. Cash and Investments**

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The Town follows the requirements of the Utah Money Management Act (*Utah code*, Section 51, chapter 7) in handling its depository and investment transactions. The Act requires the depositing of Town funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

**Cash By Fund:**

	General Fund	Enterprise Fund	Cemetery Fund	Nature Park Fund	Major Road Fund	Total
Cash on Hand	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash in Bank (SBSU)	39,071	(10,542)	-	-	-	28,529
Cash in Treasurer's Investment Pool	71,938	94,704	68,386	14,145	15,000	264,173
<b>Total Cash</b>	<b>\$ 111,009</b>	<b>\$ 84,162</b>	<b>\$ 68,386</b>	<b>\$ 14,145</b>	<b>\$ 15,000</b>	<b>\$ 292,702</b>

**Restricted/Unrestricted Classification:**

	General Fund	Enterprise Fund	Cemetery Fund	Nature Park Fund	Major Road Fund	Total
Unrestricted Funds	\$ 81,219	\$ 66,253	\$ -	\$ -	\$ -	\$ 147,472
Restricted Funds:						
Cemetery	-	-	68,386	-	-	68,386
Class C Roads	29,790	-	-	-	-	29,790
Parks & Recreation	-	-	-	14,145	-	14,145
Major Roads	-	-	-	-	15,000	15,000
Water Project	-	11,277	-	-	-	11,277
Debt Reserves	-	6,632	-	-	-	6,632
<b>Total</b>	<b>\$ 111,009</b>	<b>\$ 84,162</b>	<b>\$ 68,386</b>	<b>\$ 14,145</b>	<b>\$ 15,000</b>	<b>\$ 292,702</b>

TOWN OF NEW HARMONY  
Notes to the Financial Statements  
June 30, 2006

---

**NOTE 4. Cash and Investments, Continued**

---

**Deposits**

*Custodial Credit Risk*

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The Town does not have a formal policy for custodial credit risk. As of June 30, 2006, none of the Town's bank balance of \$30,557 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Investments**

The Money Management Act defines the types of securities authorized as appropriate investment for the Town and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the Town to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poor's, bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments.

Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gain or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

TOWN OF NEW HARMONY  
Notes to the Financial Statements  
June 30, 2006

**NOTE 4. Cash and Investments, Continued**

As of June 30, 2006 the government had the following investments and maturities:

Investment Type	Fair Value	Investments Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
State of Utah Public Treasurer's Investment Fund	\$ 264,173	\$ 264,173			
<b>Total Fair Value</b>	<b>\$ 264,173</b>	<b>\$ 264,173</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**Interest rate risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

**Credit risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act.

At June 30, 2006 the Town had the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
State of Utah Public Treasurer's Investment Fund	\$ 264,173				\$ 264,173
<b>Total Fair Value</b>	<b>\$ 264,173</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 264,173</b>

TOWN OF NEW HARMONY  
Notes to the Financial Statements  
June 30, 2006

---

**NOTE 5.       Receivables**

---

Receivables shown in the balance sheet of the utility fund are amounts due from residents for water service.

Management considers all receivables to be collectable. Therefore, an allowance for doubtful accounts was not considered necessary.

---

**NOTE 6.       Capital Assets**

---

The following table summarizes the changes to the fixed assets during the year ended June 30, 2006:

<b>Governmental Activities:</b>	<u>Balance 6/30/2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2006</u>
<b>Capital assets, not being depreciated:</b>				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Total capital assets, not being depreciated	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
<b>Capital assets, being depreciated:</b>				
Streets & improvements	67,575	-	-	67,575
Vehicles	-	-	-	-
Machinery and equipment	33,339	-	-	33,339
Total capital assets, being depreciated	<u>100,914</u>	<u>-</u>	<u>-</u>	<u>100,914</u>
Less accumulated depreciation for:				
Streets & improvements	(6,404)	(3,379)	-	(9,783)
Vehicles	-	-	-	-
Machinery and equipment	(33,339)	-	-	(33,339)
Total accumulated depreciation	<u>(39,743)</u>	<u>(3,379)</u>	<u>-</u>	<u>(43,122)</u>
Total capital assets, being depreciated, net	<u>61,171</u>	<u>(3,379)</u>	<u>-</u>	<u>57,792</u>
Governmental activities capital assets, net	<u>\$ 71,171</u>	<u>\$ (3,379)</u>	<u>\$ -</u>	<u>\$ 67,792</u>

TOWN OF NEW HARMONY  
Notes to the Financial Statements  
June 30, 2006

---

**NOTE 6. Capital Assets, Continued**

---

Depreciation expense was charged to the functions/programs of the Town as follows:

**Governmental Activities:**

General government	\$ -
Parks & recreation	-
Public works & streets	<u>3,379</u>
Total depreciation expense - governmental activities	<u><u>\$ 3,379</u></u>

**Business Type Activities:**

	<u>Balance 6/30/2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2006</u>
<b>Capital assets, being depreciated:</b>				
Water system & improvements	\$ 339,954	\$ -	\$ -	\$ 339,954
Total capital assets, being depreciated	<u>339,954</u>	<u>-</u>	<u>-</u>	<u>339,954</u>
Less accumulated depreciation for:				
Water system & improvements	<u>(157,737)</u>	<u>(7,672)</u>	-	<u>(165,409)</u>
Total accumulated depreciation	<u>(157,737)</u>	<u>(7,672)</u>	<u>-</u>	<u>(165,409)</u>
Total capital assets, being depreciated, net	<u><u>\$ 182,217</u></u>	<u><u>\$ (7,672)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 174,545</u></u>

TOWN OF NEW HARMONY  
Notes to the Financial Statements  
June 30, 2006

**NOTE 7. Long-Term Debt**

The following is a summary of long-term debt for the year ended June 30, 2006.

	<u>June 30 2006</u>
Water Revenue Bonds, Series 1984, due in annual installments at varying amounts through January 1, 2011 at 5.00%, payable from water fund revenues.	\$ 21,500
Note payable to the U.S. Department of Agriculture, Rural Development Agency, due in monthly installments of \$821 through November 16, 2030 at 5.875%, payable from water fund revenues.	120,394
Note payable to the U.S. Department of Agriculture, Rural Development Agency, due in monthly installments of \$267 through December 7, 2044 at 4.375%, payable from water fund revenues.	<u>59,705</u>
Total Long-Term Debt	<u><u>\$ 201,599</u></u>

The following is a summary of changes in long-term debt for the year ended June 30, 2006.

	<u>Balance, June 30, 2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2006</u>	<u>Current Portion</u>
1984 Water Bonds	\$ 25,000	\$ -	\$ 3,500	\$ 21,500	\$ 3,500
Notes Payable	183,068	-	2,969	180,099	3,445
Total Long-Term Debt	<u><u>\$ 208,068</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6,469</u></u>	<u><u>\$ 201,599</u></u>	<u><u>\$ 6,945</u></u>

TOWN OF NEW HARMONY  
Notes to the Financial Statements  
June 30, 2006

---

**NOTE 7. Long-Term Debt, Continued**

---

The annual requirements to amortize long-term debt outstanding at June 30, 2006, are as follows:

Year Ending June 30,	Principal	Interest	Total
2007	6,945	10,690	17,635
2008	7,625	10,335	17,960
2009	8,853	9,907	18,760
2010	9,576	9,434	19,010
2011-2015	27,679	41,294	68,973
2016-2020	32,039	33,259	65,298
2021-2025	42,519	22,779	65,298
2026-2030	31,952	10,433	42,385
2031-2035	9,504	6,543	16,048
2036-2040	11,824	4,224	16,048
2041-2045	13,084	1,358	14,443
Totals	<u>\$ 201,599</u>	<u>\$ 160,256</u>	<u>\$ 361,855</u>

TOWN OF NEW HARMONY  
Notes to the Financial Statements  
June 30, 2006

---

**NOTE 8. Restricted and Designated Fund Balances**

---

Restrictions and designations are used to indicate that a portion of the fund balance is not available for appropriation or expenditure, or is legally segregated for a specific future use. At June 30, 2006, the Town of New Harmony's restricted fund balances are as follows:

<b>General Fund:</b>	
Class C Roads	\$ 29,790
Total	<u>29,790</u>
<b>Water Fund:</b>	
Debt Reserves	6,632
Water Project	<u>11,277</u>
Total	<u>17,909</u>

---

**NOTE 9. Defined Benefit Pension Plan**

---

The Town has no full-time employees; thus, the Town does not participate in the Utah State-Wide Local Government Retirement Systems (Systems).

---

**NOTE 10. Segment Information - Enterprise Fund**

---

The Town maintains one enterprise fund (water fund) which provides water utility services to its citizens. All activities in the fund are included in the proprietary column in the financial statements.

---

**NOTE 11. Risk Management**

---

The Town maintains insurance for general liability, auto liability, and employee dishonesty through Utah Local Government's Insurance Trust.

**COMBINING STATEMENTS**

**TOWN OF NEW HARMONY**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2006**

	Capital Projects Fund Type		Fiduciary Fund Type	Total Nonmajor Governmental Funds
	Nature Park	Major Road	Cemetery	
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Receivables	-	-	-	-
Due from other governments	-	-	-	-
Prepaid expenses	-	-	-	-
Cash and cash equivalents - restricted	14,145	15,000	68,386	97,531
<b>Total assets</b>	<b>\$ 14,145</b>	<b>\$ 15,000</b>	<b>\$ 68,386</b>	<b>\$ 97,531</b>
<b>Fund Balances</b>				
Reserved for:				
Cemetery	\$ -	\$ -	\$ 68,386	\$ 68,386
Highways and streets	-	15,000	-	15,000
Culture and recreation	14,145	-	-	14,145
Unreserved, undesignated	-	-	-	-
<b>Total fund balance</b>	<b>\$ 14,145</b>	<b>\$ 15,000</b>	<b>\$ 68,386</b>	<b>\$ 97,531</b>

**TOWN OF NEW HARMONY**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**June 30, 2006**

	Capital Projects Fund Type		Fiduciary Fund Type	Total Nonmajor Governmental Funds
	Nature Park	Major Road	Cemetery	
<b>Revenues:</b>				
Interest income	\$ 439	\$ -	\$ -	\$ 439
Total revenue	<u>439</u>	<u>-</u>	<u>-</u>	<u>439</u>
<b>Expenditures:</b>				
Current:				
Culture and recreation	80	-	-	80
Total expenditures	<u>80</u>	<u>-</u>	<u>-</u>	<u>80</u>
Excess (deficiency) of revenues over (under) expenditures	359	-	-	359
<b>Other financing sources (uses):</b>				
Operating transfers in (out)	<u>13,786</u>	<u>15,000</u>	<u>68,386</u>	<u>97,172</u>
Net change in fund balance	14,145	15,000	68,386	97,531
Fund Balance - beginning of year	-	-	-	-
Fund Balance - end of year	<u>\$ 14,145</u>	<u>\$ 15,000</u>	<u>\$ 68,386</u>	<u>\$ 97,531</u>